



In the United States Patent and Trademark Office

Application Number: 09/629,749
Appn. Filed: 07/31/00
Applicant: Durham Russell Maples, Camden, SC;

Appn. Title: A Method for Enhancing the Equity of a Business Entity
Examiner/GAU: Tongoc Tran

Amendment A

Commissioner of Patents and Trademarks
Washington, District of Columbia 20231

Sir:

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FEB 07 2001
Technology Center 2100

In response to the Office Letter mailed November 22, 2000, please amend the above application as follows:

Remarks

1. The application has been refiled as a Continuation-In-Part Application (CIP).

2. New Reference Cited:

The reference cited has just been discovered by the applicant. The new reference is a tax court ruling 303F.2d 620; 1962 U.S. App. In this case Universal Casting Corporation issued notes (sold debt) to shareholders. Later, the corporation issued new notes to exchange or replace the existing notes already held by the shareholders. The new notes had a twenty year term and carried five percent interest, subject to certain conditions. The shareholders held the notes in the same proportion as they held the shares of stock; the notes could not be separated from the stock. The shareholders entered into a shareholder agreement with the corporation providing that the shares and notes could not be transferred, sold, or given away by any holder unless all such shares and notes held by the party were so transferred at the time. The corporation paid interest for three years and each year deducted the interest payments. The issue before the court was whether the notes were debt. The tax court held that the notes were equity (stock). The tax court stated 2 factors in their decision: 1) The fact that the notes were joined together with the stock allowed the noteholders to participate in management of the corporation was indicative of a shareholder relationship. 2) The stock and notes were held by each holder in the same proportion as each individual stock investment. Proportionate holding of stock and notes was also indicative of a shareholder relationship.